

1 December 2023
Accounts prepared under the
Charities accounts (Scotland)
regulations 2006



Guidance for ICAS members acting for Scottish Charities

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1. Introduction

1.1 Aim of our guide

The aim of our Scottish Charity guide is to support ICAS members acting for Scottish charities in gaining a broad understanding of the accounting, reporting and scrutiny requirements which apply to the sector. These requirements are established by the legal and regulatory framework governing charities in Scotland.

1.2 Scope of our guide

Our guide covers the accounting and reporting requirements, and external scrutiny requirements where applicable, placed on Scottish charities, both company and non-company charities, including Scottish Charitable Incorporated Organisations (SCIOs) for the following assignments:

- Accounts preparation
- Audit
- Independent examination

The previous edition of our guide applied to assignments for charity clients for accounting periods beginning on or after 1 January 2019, linking our guide to the effective date of the second edition of the *Charities SORP (FRS 102)* which remains extant. A third edition of the *Charities SORP (FRS 102)* is under development and is to be implemented alongside changes to *FRS 102* made as part of the Financial Reporting Council (FRC)'s periodic review of UK GAAP. The effective date of this is expected to be no earlier than accounting periods beginning on 1 January 2026.

This edition of our guide has been updated to reflect the legal and regulatory requirements, standards and guidance in issue on 1 December 2023. Care should be taken to ensure that legal and regulatory requirements, standards and guidance relevant to a charity client's reporting period are followed in relation to accounts preparation, audit and independent examination assignments.

An ICAS member who is a charity trustee or working as an accountant at a charity may find our guide helpful in terms of understanding the accounting, reporting and scrutiny requirements placed on charities by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 and, where applicable, the Companies Act 2006.

Cross-border charities registered with OSCR

Our guide does not include detailed material on regulatory or reporting matters relevant to charities based elsewhere in the UK or abroad which are registered with the Office of the Scottish Charity Regulator (OSCR) or to Scottish registered charities operating in other UK jurisdictions. Where a charity has cross-border operations, members should take account of the different requirements applicable in each UK charity law jurisdiction.

OSCR has produced guidance for cross-border charities with a focus on English and Welsh charities: this is signposted in our guide. Any queries about cross-border charities not answered by OSCR's guidance should be directed to OSCR, although cross-border charities may need to consider seeking independent legal advice on how to comply with the Charities Accounts (Scotland) Regulations 2006 along with the requirements of their jurisdiction of origin.

Charities in England and Wales

The Charity Commission for England and Wales (CCEW) provides accounting and reporting guidance for English and Welsh charities for periods beginning on or after 1 November 2016 in its publication *Charity reporting and accounting: The essentials (November 2016) (CC15d)*. *CC15d* covers similar ground to our guide and has been updated since it was first published to provide updated guidance on the use of electronic signatures and for the Charities Act 2022.

ICAS members acting for charities based in England and Wales should ensure that they follow the appropriate version of *CC15*, including any later edition which may be published.

1.3 What can an ICAS member offer a charity?

An ICAS member can make a significant difference to the performance and success of any charity. Expertise in business planning, governance, budgeting, forecasting, cashflow management, financial controls, financial reporting, the legal and regulatory environment, compliance and assurance means an ICAS member can provide constructive advice to trustees and contribute ideas to improve performance.

ICAS members have a long tradition of supporting the charity sector in both voluntary and professional capacities. The ability to advise and, where practicable, introduce a suitable control environment and accounting system are areas where an ICAS member's experience should benefit a charity.

Additionally, ICAS members have the technical knowledge required to prepare accounts or undertake external scrutiny of accounts in accordance with the applicable legislation and, where relevant, accounting and auditing standards and the *Charities SORP (FRS 102)*.

Any ICAS member acting for a charity must have the necessary skills and knowledge to deliver a high standard of service. This is achieved through compliance with the ICAS requirements for continuing professional development (CPD). ICAS members must also comply with other relevant regulatory and professional requirements, including those contained within the *ICAS Charter Rules and Regulations* and *ICAS Code of Ethics*.

The training and ongoing professional requirements of an ICAS member are deliberately challenging so that our members operate to the highest standards of professional practice in the public interest.

2. The legislative framework

This section of our guide provides an overview of Scottish charity law and key aspects of interest to ICAS members acting for Scottish charities. It also highlights the importance of understanding how company law interacts with Scottish charity law and touches on cross-border matters relevant to:

- Charities based in England and Wales and in Northern Ireland operating in Scotland.
- Scottish charities with a presence in England and Wales and in Northern Ireland.

2.1 Charities and Trustee Investment (Scotland) Act 2005

The [Charities and Trustee Investment \(Scotland\) Act 2005](#) (the 2005 Act) establishes a comprehensive system of charity law and regulation in Scotland, including a statutory regulator, the [Office of the Scottish Charity Regulator](#) (OSCR), and a charity test, encompassing a public benefit test, which must be met by any organisation registered or wishing to register as a charity in Scotland.

The 2005 Act allows for further changes to be brought about through secondary legislation i.e. regulations.

The Scottish charity accounting regulations issued under the 2005 Act are of key importance to ICAS members acting for Scottish charities. These are:

- The [Charities Accounts \(Scotland\) Regulations 2006 \(SSI 218\)](#).
- The [Charities Accounts \(Scotland\) Amendment Regulations 2010 \(SSI 287\)](#).
- The [Charities Accounts \(Scotland\) Amendment \(No. 2\) Regulations 2014 \(SSI 335\)](#).
- The [Charities Accounts \(Scotland\) Amendment Regulations 2016 \(SSI 76\)](#).
- The [Charities Accounts \(Scotland\) Amendment Regulations 2017 \(SSI 284\)](#).
- The [Charities Accounts \(Scotland\) Amendment Regulations 2018 \(SSI 344\)](#).
- The [Charities Accounts \(Scotland\) Amendment Regulations 2019 \(SSI 393\)](#).

These regulations set out the accounting and scrutiny requirements for all sizes and forms of Scottish charity, including Scottish charitable incorporated organisations (SCIOs) and charitable companies. The accounting regulations are referred to within our guide as the 2006 accounting regulations.

Also of significance to ICAS members acting as auditors or independent examiners for Scottish charities is the duty, under the 2005 Act, to report matters of material significance to OSCR (the whistleblowing duty). Further information is given in section 8 of this guide on the duty and right to report to OSCR.

2.2 Charity accounting matters and the law

The 2006 accounting regulations require charities preparing accounts which purport to give a 'true and fair' view to prepare their accounts in accordance with the methods and principles set out in:

- *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, known as the [Charities SORP \(FRS 102\)](#).*

For the avoidance of doubt the 2006 accounting regulations refer to 'true and fair' accounts as 'fully accrued accounts'. Smaller charities with a gross income of less than £250,000, except those which are charitable companies, may be eligible to prepare their accounts on a receipts and payments basis.

Charitable companies must also comply with company law and therefore must be aware of the differences in the narrative reporting, accounts preparation and external scrutiny requirements which exist between the Companies Act 2006 and Scottish charity law.

Charities must comply with the strictest thresholds or the most onerous requirements in place for a reporting period. Charitable companies must also file their trustees' annual report and accounts with Companies House.

The following aspects of Scottish charity law deal with the maintenance of accounting records, the duty and right of independent scrutinisers (i.e. auditors and independent examiners) to report to OSCR and financial reporting requirements:

- Part 1, chapter 6, section 44 of the 2005 Act sets out the duty of the charity to keep proper accounting records and prepare a statement of account for filing with OSCR.
- Part 1, chapter 6, section 45 of the Act sets out the remedies available to OSCR and the courts if a charity fails to provide a statement of account.
- Part 1, chapter 6, section 46 of the Act sets out the duty and right of independent scrutinisers (auditors and independent examiners) to report to OSCR: the duty to report requires independent scrutinisers to report instances of apparent misconduct in the administration of a charity and the right to report permits independent scrutinisers to report other matters relevant to the exercise of OSCR's functions.
- The 2006 accounting regulations prescribe the form and content of accounts for Scottish charities, and the external scrutiny requirements.

Section 44 of the 2005 Act sets out the requirements placed on charities to keep accounting records. A charity must:

- Keep proper accounting records.
- Prepare for each financial year a statement of account and a report on its activities.
- Have a statement of account independently examined or audited.
- After such an examination or audit, send a copy of the statement of account and report on its activities to OSCR.

Accounting records must be kept for a minimum of six years from the end of the financial year to which they relate.

OSCR publishes a series of guides on charity accounts and finance and these are available [here](#). Some of these OSCR guides are referred to at relevant points throughout this guide.

2.3 Public Services Reform (Scotland) Act 2010

The Public Services Reform (Scotland) Act 2010 (the 2010 Act) made several changes to Scottish charity law.

Under Part 9 of the 2010 Act (which amends the Charities and Trustee Investment (Scotland) Act 2005):

- The Court of Session can prevent a former charity trustee from ever being a charity trustee again.
- The Court of Session can permit a charity to alter its charitable purpose(s).
- A charity can ask OSCR for assistance in appointing trustees where the required constitutional levers to do so are not in place.
- A charity can ask OSCR to amend or withdraw a direction.
- A charity can ask OSCR to approve a reorganisation of its restricted funds.
- A charity can purchase trustee indemnity insurance.
- A charity is required to refer to its charity number on its website.

Trustee indemnity insurance

Charities with a prohibition on the purchase of trustee indemnity insurance within their constitutions are not able to take advantage of the change in the law made by the 2010 Act. However, charities do have the option of amending their constitutions through the consents regime, if appropriate, or through a reorganisation scheme.

2.4 The Charities (Regulation and Administration) (Scotland) Act 2023

The Charities (Regulation and Administration) (Scotland) Act 2023 (the 2023 Act) amends the 2005 Act. It received Royal Assent on 9 August 2023.

While the changes to the 2005 Act are limited, these are nevertheless the most extensive changes since the 2005 Act was first implemented.

The 2023 Act makes changes intended to:

- Make charities more accountable and transparent.
- Strengthen OSCR's powers.
- Bring Scottish charity law up to date with certain aspects of the law in England and Wales, and in Northern Ireland.

The 2023 Act:

- Requires OSCR to publish names of trustees on the public Scottish Charity Register (the Register);
- requires OSCR to maintain an internal database of trustee contact details;
- updates the range of offences and situations that result in disqualification of charity trustees;
- extends the criteria for disqualification to apply to senior management positions as well as trustees;
- requires OSCR to create a searchable record of charity trustees who have been barred by the courts from acting as trustees;
- allows OSCR to appoint interim trustees in specific circumstances;
- requires OSCR to make the accounts of all charities on the Register available to the public;
- allows OSCR to remove charities from the Register if they fail to submit accounts and fail to respond to subsequent communication from OSCR;
- requires OSCR to keep a record of charity mergers to assist with the transfer of legacies;
- allows OSCR to undertake inquiries into former charities and their trustees;
- enables OSCR to issue positive directions to charities following inquiry work; and
- requires charities to demonstrate a connection to Scotland if they are to be registered by OSCR.

The provisions of the 2023 Act will be brought into effect through two commencement orders. The timing of these orders and the dates for implementing each provision have not yet been made public. However, commencement of the 2023 Act is expected to occur in two tranches: the first in 2024; and the second in 2025.

It will be important for charities to understand how the 2023 Act will impact on them, what specific actions they will need to take to comply with the Act and when they will need to do so. OSCR is expected to run a communications campaign to highlight these matters, therefore, charities and their advisers should monitor the OSCR website for further updates.

Under the 2023 Act, charities have an option to apply to OSCR for a dispensation from certain information (e.g. the names of any of the charity trustees) being included on the public Register where the publication of that information is likely to jeopardise the safety or security of a person or property. This dispensation will also apply to the trustees' annual report and accounts.

2.5 The Scottish Charitable Incorporated Organisation

The SCIO is a corporate body with legal personality, which is able to enter into contracts, employ staff, incur debts, own property, sue and be sued in its own name. It offers limited liability protection to trustees within a corporate form tailored to Scottish charities.

Distinct from other forms of charity, a SCIO is required to have at least three charity trustees. OSCR expects applicant SCIOs to be able to name the three or more proposed charity trustees at the point of application.

SCIOs are required to comply with the 2006 accounting regulations and those which have an annual gross income of under £250,000 have the option of preparing receipts and payments accounts provided they are not otherwise prohibited from doing so.

From 1 April 2011, the SCIO model became available to charitable trusts and unincorporated charities and to Scottish organisations obtaining charitable status for the first time.

From 1 April 2012, the SCIO model became available to charitable companies and charitable co-operative and community benefit societies (previously known as industrial and provident societies).

The following aspects of Scottish charity law specifically relate to the SCIO model:

- Part 1, chapter 7, sections 49 to 64 of the 2005 Act, cover: the nature and constitution of the SCIO; the creation of the SCIO and entry on the Scottish charity register; SCIO conversions, SCIO amalgamation and the transfer of SCIO undertakings; and general provisions.

[SCIOs: A Guide: Guidance on the Scottish Charitable Incorporated Organisation](#) is available on the OSCR website.

From 1 January 2018, SCIOs and Charitable Incorporated Organisations (CIOs), which are regulated by the CCEW, appear in the Registrar of Companies' Index of Company Names, which is maintained by Companies House. This will help protect SCIOs' names, for instance in the event of others looking to set up a company or CIO with the same name as a SCIO.

It also means that Companies House now checks whether a SCIO's proposed name includes 'sensitive words or expressions' as may be considered to be the case under [the Company, Limited Liability Partnership and Business Names \(Sensitive Words and Expressions\) Regulations 2014](#).

2.6 Consents, reorganisations and notifications

In November 2018, OSCR issued a new guide: [Making changes to your charity](#) covering the consents process and related notifications. Other OSCR guidance and information relating to consents, reorganisations and notifications are signposted in this section of the guide.

Consents

Under section 16 of the 2005 Act, charity trustees may be able to use the consents regime to:

- Change the name of their charity.
- Amend the objects or purposes of their charity.
- Transfer charity assets to another charity.
- Change their charity's legal form.
- Amalgamate their charity with another body.
- Wind-up their charity.

Also, the trustees of one SCIO can ask for consent to transfer its assets, liabilities, rights and responsibilities to another SCIO known as a transfer of undertaking. The transferor SCIO would then be dissolved.

Charity trustees must receive prior consent from OSCR before undertaking any of the above. However, where a charity's constitutional provisions do not give the trustees the power to make the desired changes, the trustees can instead apply to OSCR for permission to reorganise under Chapter 5 of the 2005 Act.

Prior consent must be sought at least 42 days in advance of the proposed change taking effect. In the event that consent is given, OSCR must also be notified, under section 17 of the 2005 Act, of the date any change or action took place.

OSCR's consent application forms are available through the guidance and forms search facility on the [OSCR website](#).

Reorganisations

Under Chapter 5 of the 2005 Act, charity trustees not able to use the consents regime may apply to OSCR for permission to reorganise.

Reorganisations fall into the following categories:

- A variation or update of the terms of the charity's constitution or purposes where the trustees lack a particular power.
- A transfer of the charity's property to another charity.
- An amalgamation of the charity with another charity.
- A reorganisation of restricted funds.

OSCR's [Charity reorganisation guidance](#) and [Reorganisation of restricted funds guidance](#) are available on the OSCR website.

Notifications

Under section 17 of the 2005 Act, charity trustees must notify OSCR:

- Of changes to contact details included in the Scottish Charity Register;
- of a change in the name of the charity;
- of changes to the charity's constitution, including reorganisations;
- if the charity has amalgamated with another body;
- if the charity has been wound-up or dissolved, including reorganisations;
- if an administration order for winding-up has been made by the Court in respect of the charity; and
- if a receiver has been appointed in respect of any of the charity's property.

OSCR must be notified of any of the above within three months of a change or action taking place except in the case of an administration order for winding-up or the appointment of a receiver where notice must be given within one month.

Charity trustees are also expected to notify OSCR once a reorganisation has been undertaken under Chapter 5 of the 2005 Act.

OSCR's [Notifications of changes made form](#) is available on the OSCR website.

2.7 OSCR guidance for cross-border charities

The scope of our guide excludes matters specific to charities based elsewhere in the UK or abroad which are required by the 2005 Act to register with OSCR. However, charities based elsewhere which are required to register with OSCR should comply with the 2005 Act and the 2006 accounting regulations. This includes filing trustees' annual reports and accounts and annual returns with OSCR.

OSCR has issued the following guidance for cross-border charities on registering with OSCR and on cross-border charity regulation:

- [Guidance on registering as a charity, including a cross-border charity.](#)
- [Cross-border constitution briefing note.](#)
- [Cross-border charity regulation in Scotland.](#)

The OSCR guidance is primarily focussed on English and Welsh charities.

2.8 Cross-border provisions in other UK charity law jurisdictions

England and Wales

In England and Wales, the Charities Act 2011 has no cross-border provisions therefore a charity established in Scotland and registered with OSCR has no requirement to register with the CCEW or to make any annual filings even if it is active in England and/or Wales.

Northern Ireland

A charity which is established in Scotland (or in England and Wales) with activities in Northern Ireland may in future be required to register with the Charity Commission for Northern Ireland (the CCNI) if it is not a charity under the law of Northern Ireland but operates for charitable purposes in or from Northern Ireland. Such a charity is known as 'a Section 167 charity'. The CCNI does not expect to bring forward Section 167 charities for registration before 2025/2026.

In future, a Section 167 charity will be required to file with the CCNI a financial statement and a statement of activities relating to its operations in or from Northern Ireland. At the date of publication of this guide, the provisions of section 167 of the Charities (Northern Ireland) Act 2008 have not been implemented.

Any charity which falls within the definition of section 167 should inform the CCNI by submitting an '[Expression of intent](#)' form via the CCNI's website.

The CCNI's website address is www.charitycommissionni.org.uk.

Key points arising from section 2

- The 2005 Act and 2006 accounting regulations apply to all sizes and forms of Scottish charity, including charitable companies and SCIOs.
- Scottish charitable companies must comply with the accounting and auditing requirements of both the Companies Act 2006 and Scottish charity law.
- Commencement orders for 2023 Act amendments to the 2005 Act are awaited.
- Auditors and independent examiners have a duty to report matters of material significance to OSCR under the 2005 Act.
- Charities can incorporate solely under charity law using the SCIO form.
- Charities must comply with the 2005 Act requirements on consents, reorganisations and notifications when certain changes are planned or made.
- Charities based outside of Scotland but operating in Scotland in a manner caught by the 2005 Act must register with OSCR.
- Charities operating in more than one UK charity law jurisdiction should ensure they comply with any cross-border requirements.

3. Office of the Scottish Charity Regulator

This section of the guide sets out OSCR's statutory functions under the 2005 Act and describes its core regulatory activities.

OSCR recognises the complex regulatory environment for charities and has mechanisms in place for working with other regulators, including the other UK charity regulators, with a view to reducing regulatory burdens where possible. Further details of these mechanisms are included in this section of the guide.

It is important that ICAS members acting for Scottish charities are familiar with OSCR's regulatory approach and the practical aspects of OSCR's arrangements for receiving annual returns and trustees' annual reports and accounts.

ICAS has a good working relationship with OSCR and seeks to influence developments where appropriate.

3.1 The statutory regulator

OSCR is an independent statutory body accountable directly to the Scottish Parliament. Its statutory powers and responsibilities were assumed in April 2006 under provisions of the 2005 Act. OSCR's main functions are to:

- Determine whether bodies are charities (the charity and public benefit tests).
- Keep a public register of charities (the Scottish Charity Register).
- Encourage, facilitate and monitor compliance with Scottish charity law.
- Identify and investigate apparent misconduct within charities.

The [OSCR website](#) includes information on how to be placed on the Scottish Charity Register, completing annual returns, how it regulates and other aspects of the regulatory regime.

ICAS members assisting charities should ensure that they monitor the OSCR website on a regular basis for news on the latest developments. There is a sign-up facility on the OSCR website for its newsletter called the [OSCR Reporter](#), which is issued every two or three months. The *OSCR Reporter* is a roundup of recent developments and is not a substitute for checking the OSCR website.

3.2 OSCR's regulatory approach

Regulatory priorities

In August 2023, OSCR published its [Regulatory priorities for 2024 to 2026](#), which it will review annually.

OSCR's priorities for 2024 to 2026 are:

- Those charities failing to engage with the regulator and demonstrate to the public how they make a difference;
- mitigating the risk of misuse of Scottish charities for private gain;
- improving charity trustees' understanding of core governance matters and activities as these can be flawed and incomplete in areas such as: trustee disqualification; governing documents; trustee quorum; narrative reporting and accounts;
- those charities where there are poor relationships and conflict within the charity and between the charity and the local community; and
- charities' management of their reserves where they may not be sufficiently active to make best use of their resources and may be constrained by mistaken perceptions of 'OSCR requirements'.

OSCR's Risk framework

OSCR is planning to evolve the *Risk framework* it first published in 2016 and revised in 2018 to reflect its priorities for 2024 to 2026.

OSCR's updated priorities focus less on case-based activity. This means that OSCR's focus will be broader than its inquiry activity and the decisions it makes about whether or not to register a body as a charity.

In 2024 to 2026, OSCR will also focus on:

- The guidance it provides to charity trustees;
- monitoring trustees' annual reports and accounts, and analysis of other intelligence and data about charities;
- working with sector bodies, professional bodies and stakeholders to provide training and support to charities, advisers and trustees;
- engagement with policy makers and legislators to make sure policy and legislation affecting charities recognises the needs and nature of charities and effective charity regulation; and
- the use of the new powers and duties given to OSCR by the new Charities (Regulation and Administration) (Scotland) Act 2023.

The OSCR annual return

All charities must complete an annual return, and this can be completed via [OSCR's online service](#).

OSCR conducted a consultation on proposed changes to the annual return questions in 2023 and has published its consultation report. New questions will be asked of all charities with a financial year ending on or after 30 November 2023. OSCR is to publish the new questions and related guidance on its website.

Notifiable events reporting regime

OSCR asks charity trustees to report details of events which have happened or are happening at their own charity which have a significant impact on the charity or its assets and beneficiaries. OSCR has prepared guidance to assist charity trustees determine which events are significant in the context of the charity. OSCR does not envisage becoming involved with every charity submitting a report. Instead, OSCR will consider each report received and will only contact the charity trustees if it believes additional support is required.

There is no legal requirement for charity trustees to comply with the notifiable events reporting regime. However, failure to notify OSCR in accordance with the regime could be viewed by OSCR as a failure to comply with charity trustees' duties under section 66 of the 2005 Act and therefore could be met with a regulatory response. OSCR's guidance identifies the following categories of notifiable events:

- Fraud and theft.
- Substantial financial loss.
- Incidents of abuse or mistreatment of vulnerable beneficiaries.
- Not enough charity trustees to make a legal decision.
- Charity has been subject to a criminal investigation or an investigation by another regulator or agency.
- Significant sums of money or other property have been donated to the charity from an unknown or unverified source.
- Suspicion that the charity and/or its assets are being used to fund criminal activity (including terrorism).
- A charity trustee is acting whilst disqualified.

The notifiable events reporting regime is entirely separate from the whistleblowing provisions in the 2005 Act which apply to independent examiners and auditors.

Any registered Scottish charity which is registered with the CCEW, the CCNI or the Scottish Housing Regulator is requested not to report any notifiable events separately to OSCR as information sharing arrangements are in place under Memoranda of Understanding.

OSCR's guidance [Reporting Notifiable Events to the Scottish Charity Regulator](#) is available on the OSCR website.

Safeguarding

Following concerns about the conduct of staff working for international aid charities and criticism of the way those charities responded to allegations of misconduct, OSCR issued guidance on safeguarding for Scottish charities in 2018.

In its [Safeguarding guidance: keeping vulnerable beneficiaries safe](#) (May 2018), OSCR sets a clear expectation that charities have adequate safeguarding policies and procedures appropriate for their activities which reflect both the law and best practice.

Incidents of abuse or mistreatment of vulnerable beneficiaries are considered by OSCR to be notifiable events.

Work with other regulators

OSCR works closely with other regulators, including the CCEW, the CCNI and HMRC, with a view to reducing the regulatory burden on the sector. [Memoranda of understanding](#) have been established between OSCR and these other regulators which set out how they intend to achieve this objective.

The memoranda of understanding with other UK charity regulators will be of interest to English and Welsh and Northern Irish charities which are also registered with OSCR.

3.3 Publication of trustees' annual reports and accounts

OSCR publishes, on its website, the trustees' annual reports and accounts of charities with an income of £25,000 and over, and of all SCIOs: personal and sensitive information is currently redacted before publication. The redaction process is required as, prior to the implementation of the relevant provisions of the 2023 Act, there are no statutory provisions underpinning the publication of the annual reports and accounts of charities on the OSCR website.

Alternatively, if a charity publishes its trustees' annual report and accounts on its own website or these are published by Companies House, the charity can share the hyperlink on the annual return form and OSCR will publish the hyperlink on the Scottish Charity Register.

The trustees' annual report and accounts is already a public document: under section 23 of the 2005 Act any person is entitled to a copy on making a reasonable request to the charity.

Publication of trustees' annual reports and accounts under the 2023 Act changes

Changes to the 2005 Act by the 2023 Act update OSCR's statutory responsibilities in relation to making trustees' annual reports and accounts available to the public. The changes, when implemented, are likely to result in OSCR publishing the unredacted trustees' annual report and accounts, including the independent examiner's report or auditor's report, of all Scottish charities on the Scottish Charity Register.

Section 10 of the 2023 Act inserts new section 45B 'Public access to charity accounts kept by OSCR' into the 2005 Act. Under section 45B of the 2005 Act, OSCR must make the statements of account and independent reports available to the public free of charge at its offices and otherwise as it sees fit.

The expectation is that OSCR will meet its new statutory responsibility by building on its current practice of publishing the trustees' annual reports and accounts of certain charities on the Scottish Charity Register.

Disclosure exemptions on the grounds of safety and security under 2023 Act changes

The 2023 Act requires the names of all charity trustees to be included in the charity's entry in the Scottish Charity Register which is available to the public.

Scottish charity law continues to require OSCR to exclude the names of charity trustees from a charity's entry in the Register if, on the application of the charity, OSCR is satisfied that including that information is likely to jeopardise the safety or security of any person or premises. However, if a new application process is introduced by the 2023 Act there is likely to be more formality around obtaining a disclosure exemption.

The 2023 Act requires that the Scottish charity accounting regulations must be framed so that a charity is not required to include any information in its statement of account that is excluded from its entry in the Register. This means that information, including names, which are covered by the disclosure exemption, does not need to be included in the trustees' annual report and accounts. Therefore, the disclosure exemption along with OSCR's statutory duty to make statements of account publicly available mean that OSCR will no longer be required to redact information from a charity's trustees' annual report and accounts.

These disclosure exemptions do not apply to the trustees' annual reports and accounts of Scottish charitable companies which are also bound by company law which offers no such exemptions.

3.4 ICAS engagement with OSCR

OSCR has a policy of liaising with umbrella organisations which represent groups of charities and with organisations such as ICAS which represent professional advisers. Equally, ICAS recognises the importance of regular engagement with OSCR.

Key points arising from section 3

- Keep an eye on the OSCR website as it is an important source of information about developments in charity regulation.
- All charities must file an annual return with OSCR accompanied by their trustees' annual report and accounts.
- Charity trustees are being asked to report significant events to OSCR via the notifiable events reporting regime.
- OSCR will soon publish the trustees' annual reports and accounts for all Scottish charities on its website.
- OSCR works closely with other regulators to minimise regulatory burdens on the sector and share good practice.

4. Corporate and financial reporting

This section of our guide explains how the corporate reporting and accounts requirements within Scottish charity law and company law interact with accounting standards and the *Charities SORP (FRS 102)*.

ICAS members acting for Scottish charities will find this section useful in assessing how these various requirements apply to the charities they are involved with and in establishing the various concessions which are available to smaller charities under the *Charities SORP (FRS 102)*.

Concessions available under the *Charities SORP (FRS 102)* should simplify the preparation of reports and accounts for smaller charities and once eligibility is established it is just a matter of confirming continued eligibility each year.

The trustees' annual report and accounts requirements in the 2006 accounting regulations apply to SCIOs in exactly the same way as other non-company charities, including the group accounts requirements.

ICAS also explains its stance on the application of *Section 1A of FRS 102* by charities. Our view is that charities preparing 'true and fair' accounts can't take advantage of the presentation and disclosure concessions in *Section 1A*.

ICAS members may find it helpful to refer to OSCR's [A guide to charity accounts](#) alongside this section of our guide.

4.1 Overview

The following topics are covered in this section of the guide:

- Receipts and payments accounts (non-company charities only).
- 'True and fair' accounts.
- The Charities SORP and Scottish charity law: a clarification.
- Charitable companies.
- Consolidated (group) accounts.
- Smaller charities preparing 'true and fair' accounts.
- Filing requirements.
- The Economic Crime and Corporate Transparency Act 2023.
- Future developments in accounting standards.

4.2 Receipts and payments accounts (non-company charities only)

Non-company charities, including SCIOs, which have a gross income of less than £250,000, have the option of preparing accounts on a receipts and payments basis, unless this is prohibited by the charity's constitution. Schedule 3 of the 2006 accounting regulations provides a format for accounts prepared on this basis.

All charities preparing receipts and payments accounts must also prepare an accompanying trustees' annual report. The requirements are set out in Schedule 1 of 2006 Regulations. OSCR's [Receipts and payments accounts work pack](#) includes a trustees' annual report template, a receipts and payments accounts template, and illustrative examples. However, it is not compulsory for charities to use these templates.

Gross income is defined in the 2006 accounting regulations as:

"Incoming resources of the charity in all restricted and unrestricted funds but excluding the receipt of any donated asset in a permanent or expendable endowment fund."

However, establishing a charity's gross income in order to determine the form of accounts required is not always a simple matter.

Gross income is not a cash-based measure, and it is our experience that OSCR interprets the receipts and payments accounts threshold as follows:

- Gross income of less than £250,000; and/or
- gross receipts of less than £250,000.

Therefore, any charity which breaches either of the above should prepare 'true and fair' accounts.

Also, in our experience OSCR considers:

- Accounting profits from the sale of fixed assets or investments, which are not part of an endowment fund, to be part of gross income for the purpose of applying the receipts and payments accounts preparation threshold; and

[This means that profits from such a sale are a factor in determining what type of accounts a charity is required to prepare i.e. whether a charity can move from preparing 'true and fair' accounts to receipts and payments accounts.]

- cash proceeds from the sale of fixed assets or investments, which are not part of an endowment fund, are considered to be part of gross receipts for the purpose of applying the receipts and payments accounts threshold.

[This means that the proceeds from such a sale are a factor in determining the type of accounts a charity has to prepare i.e. whether a charity can continue to prepare receipts and payments accounts or must move from preparing 'true and fair' accounts to receipts and payments accounts.]

Charities must not offset:

- Costs against income, unless this is permitted by the *Charities SORP (FRS 102)*, in calculating gross income for the purpose of applying the receipts and payments accounts threshold; and
- payments against receipts in calculating gross receipts for the purpose of applying the receipts and payments accounts threshold.

4.3 'True and fair' accounts

For the avoidance of doubt, the Charities Accounts (Scotland) Regulations 2006 refer to 'true and fair' accounts as 'fully accrued accounts'.

In order to meet the obligation to prepare accounts showing a 'true and fair' view, the accounts should follow UK Generally Accepted Accounting Practice (GAAP) which comprises both the legal requirements pertaining to a charity's accounts and accounting standards and applicable Statement of Recommended Practice (SORP).

The only accounting standard which applies to UK charities is *The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)*.

Additionally, charities must comply with *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland: the Charities SORP (FRS 102)* in order for their accounts to show a 'true and fair' view.

The *Charities SORP (FRS 102)* provides clarification, explanation and interpretation of accounting standards and their application to charities and to sector specific transactions. SORP compliance is a legal requirement for Scottish charities not preparing receipts and payments accounts. For periods commencing on or after 1 January 2019, the *Charities SORP (FRS 102) (Second Edition – October 2019)* applies.

All charities preparing 'true and fair' accounts must comply with the *Charities SORP (FRS 102)* requirements for the preparation of the trustees' annual report. In addition, all charitable companies must comply with the directors' report requirements in the Companies Act 2006, including the strategic report requirements where these are applicable. Reporting concessions are available to certain charities under the *Charities SORP (FRS 102)*.

Charities SORP (FRS 102) Information Sheets and Help Sheets

Information Sheets and Help Sheets do not form part of the *SORP* nor do they amend the *SORP*. Information Sheets are authoritative in that these express the views of the Charities SORP-making body and its advisory SORP Committee. Help Sheets are designed to provide information about changes to the *SORP*.

Five information Sheets relevant to Scottish charities are extant:

- *Information Sheet 1: Implementation Issues (April 2017) clarifies the application of certain aspects of the Charities SORP (FRS 102) where a need was identified shortly after its implementation.*
- *Information Sheet 2: Accounting for gift aid payments made by a non-charitable subsidiary to its parent charity where no legal obligation to make the payment exists (January 2019).*
- *Information Sheet 3: The Companies (Miscellaneous Reporting) Regulations 2018 and UK Company Charities (September 2019).*
- *Information Sheet 4: Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans (November 2019).*
- *Information Sheet 5: The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018-UK, as applied to Charitable Companies (reissued September 2020).*

There are four Help Sheets available on the Charities SORP microsite. The content of three of these is largely relevant to the transition from old UK GAAP to new UK GAAP, including *FRS 102*. The other Help Sheet provides information on changes to *FRS 102* since 2015.

Charities and International Financial Reporting Standards (IFRS)

Charities, including charitable companies, are not permitted to prepare their accounts in accordance with IFRS accounting standards. The requirement for all Scottish charities to comply with the *Charities SORP*, or for special case charities another sector specific SORP, effectively prohibits charities from adopting IFRS accounting standards. In addition, the Companies Act 2006 prohibits charitable companies from preparing their accounts in accordance with IFRS accounting standards.

FRS 102 requires the use of consistent accounting policies within group accounts but does not require all members of the group to apply consistent accounting policies to their individual accounts. Therefore, where group accounts are being prepared and the parent charity has overseas subsidiaries preparing their accounts in accordance with IFRS accounting standards, or country-specific standards, it may be necessary to make recognition and measurement adjustments on consolidation so that the parent's group accounts comply with the *Charities SORP (FRS 102)* and *FRS 102*.

4.4 The Charities SORP and Scottish charity law: a clarification

Regulation 8 of the 2006 accounting regulations (as amended) sets out the requirements for the preparation of 'true and fair' accounts and lists the components of the statement of account e.g. statement of financial activities (SoFA), balance sheet etc. Schedule 1 of the 2006 accounting regulations (as amended) requires 'true and fair' accounts to be prepared in accordance with the methods and principles set out in the *Charities SORP*. Departure from the *Charities SORP* is permitted to the extent necessary for the accounts to give a 'true and fair' view.

Section 44 of the 2005 Act and regulation 8 refer to the trustees' annual report forming part of the statement of account. Therefore, charity law is effectively requiring the methods and principles contained within the *Charities SORP (FRS 102)* in relation to the trustees' annual report to be complied with by Scottish charities. ICAS takes the view that this means that the material within the *Charities SORP (FRS 102)* on the trustees' annual report should be complied with, not that the trustees' annual report should fall within the scope of the 'true and fair' view. The Scottish government confirmed this view in its April 2009 consultation paper on proposed changes to the charity accounting regulations but has not yet amended the regulations accordingly.

4.5 Charitable companies

In addition to preparing their accounts under Scottish charity law, charitable companies must prepare accounts which comply with the requirements of company law.

A trustee of a charitable company is a director and has the same duties and responsibilities as any other company director under company law.

Module 15 of the *Charities SORP (FRS 102)* set out how charitable companies can comply with both Scottish charity law and UK company law, including:

- Preparation of the directors' report.
- Requirement for an income and expenditure account.
- Preparation of a combined SoFA and income and expenditure account.
- Additional considerations which apply when consolidated (group) accounts are prepared under company law.
- Disclosure of equity on the balance sheet.
- The disclosure of revaluation and fair value reserves.

Directors' report including the strategic report (charitable companies only)

Charitable companies need to comply with the requirements for the directors' report set out in the Companies Act 2006. The directors' report requirements can be met within the body of the trustees' annual report rather than by preparing a separate report. Medium-sized and large companies and groups, as defined by the Companies Act 2006, also need to comply with the strategic report requirements of that Act.

For companies receiving an audit, section 418 of the Companies Act 2006, requires that each person who is a director at the time the directors' report is approved makes a statement about the completeness of the disclosure of relevant information to the company's auditors.

4.6 Consolidated (group) accounts

A charity which is a parent must establish whether or not it should prepare group accounts for the group it heads. The group accounts threshold in the 2006 accounting regulations (as amended) is likely to be the strictest threshold which applies to a parent charity. It is stricter than the threshold in the Companies Act 2006, which charitable companies must be mindful of.

Non-company parent charities preparing group accounts should do so under all applicable legislation. For the majority of non-company parent charities, the applicable legislation will be the 2005 Act and the 2006 accounting regulations only, even if the group has a component which is a company.

Company parent charities preparing group accounts should also prepare these under all applicable legislation. For the majority of company parent charities, the applicable legislation will be the 2005 Act, the 2006 accounting regulations and the Companies Act 2006.

Compliance with the 2005 Act and the 2006 accounting regulations

Under the 2005 Act and the 2006 accounting regulations, group accounts should be prepared by a parent charity if the group has:

- Gross income (after consolidation adjustments) of £500,000 or more.

This means that a parent charity which heads a group with a combined gross income of £500,000 or more before consolidation adjustments will need to identify intra-group transactions in order to establish whether they can take advantage of the exemption from preparing group accounts.

The *Charities SORP (FRS 102)* and *FRS 102*, permit a parent charity to exclude a subsidiary from consolidation when its inclusion is not material for the purpose of giving a 'true and fair' view (but two or more subsidiaries may be excluded only if they are not material when taken together). Therefore, a charity may take this accounting policy choice into consideration when assessing its gross income for the purpose of applying the group accounts threshold.

A parent charity is required to prepare and file individual accounts, including a SoFA, even if it is also preparing group accounts. However, it is generally accepted accounting practice for these to be combined in the same document.

Where a parent charity has gross income of £500,000 or more it will also need to include an individual statement of cash flows within the group accounts in order to comply with the *Charities SORP (FRS 102)*.

Charitable companies

In addition to complying with the requirements of Scottish charity law, charitable parent companies preparing group accounts must also prepare these in accordance with the requirements of company law.

In reality, it is Scottish charity law which is likely to trigger the requirement for the preparation of group accounts by a charitable company which is a parent. However, the Companies Act 2006 also applies as follows to the preparation of group accounts by a charitable parent company:

- A charitable parent company which heads a small group (i.e. a group which qualifies to be treated as small) is exempt from the Companies Act 2006 requirement to prepare group accounts. However, it is permitted to prepare these by section 399(4) of the Companies Act 2006.
- A charitable parent company which heads a medium-sized or large group must prepare group accounts under section 399 of the Companies Act 2006.

Section 383 of the Companies Act 2006 defines a small group.

A group qualifies as small in relation to a financial year if it is not otherwise excluded from the small companies regime, by section 399 of the Companies Act 2006, and meets two out of the following three conditions in the current financial year and the previous financial year:

- Aggregate turnover not exceeding £10,200,000 net (or £12,200,000 gross);
- aggregate balance sheet total not exceeding £5,100,000 net (or £6,100,000 gross); and
- average number of employees not exceeding 50.

The net amounts referred to above are after consolidation adjustments have been made while the gross amounts are before consolidation adjustments have been made.

4.7 Smaller charities preparing 'true and fair' accounts

While there are no definitive criteria for a 'small' charity, there are a range of matters for smaller charities preparing 'true and fair' accounts and their advisers to consider when determining what concessions do or don't apply in a particular circumstance. These matters are covered under the following headings:

- Concessions available under the *Charities SORP (FRS 102)* for smaller charities
- *FRS 102: Section 1A*
- *FRS 105: The FRS applicable to the micro-entities regime*
- Abridged accounts

Concessions available under the Charities SORP (FRS 102) for smaller charities

Under the *Charities SORP (FRS 102)* there are concessions for smaller charities with a gross income of £500,000 or less:

- Module 1 of the *Charities SORP (FRS 102)* sets out the additional trustees' annual report content which larger charities, as defined by the *Charities SORP (FRS 102)* must prepare separately from the content which must be prepared by smaller charities.
- Smaller charities do not need to analyse either their income or expenditure by activity category in the SoFA. These concessions also apply to the related notes. Module 4 of the *Charities SORP (FRS 102)* sets out the presentation requirements which can be applied to smaller charities separately from the requirements for charities reporting on an activity basis.
- An exemption from preparing a statement of cash flows is available to most charities meeting the size criteria i.e. those charities with a gross income of £500,000 or less.

FRS 102: Section 1A

Section 1A provides mainly presentation and disclosure concessions to companies eligible to apply the Companies Act small companies' regime and to other entities which meet the size criteria for a small company.

It is not clear from the commentary within *FRS 102* whether charities which meet the small entity size criteria are eligible to apply the concessions in *Section 1A of FRS 102*. However, as charities must comply with the *Charities SORP (FRS 102)* which is based on full *FRS 102* it is difficult to see how a charity could follow *Section 1A* and prepare accounts which give a 'true and fair' view. Therefore, for all intents and purposes, charities cannot apply *Section 1A*.

FRS 105: The FRS applicable to the micro-entities regime

Charities, including charitable companies, are ineligible to qualify as micro-entities. *FRS 105* is a single accounting standard for use by companies and other specified entities qualifying as micro-entities and choosing to apply the micro-entities regime. *FRS 105* specifically scopes out charities from its application.

Abridged accounts (companies only)

The legislation which introduced abridged accounts, The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, specifically excludes charitable companies from preparing them.

For forthcoming changes to the Companies Act 2006 on the removal of the option for non-charitable companies to prepare abridged accounts see section 4.9 of the guide.

4.8 Filing requirements

All charities

In order to comply with Regulation 5 of the 2006 accounting regulations, a charity must send a copy of its signed trustees' annual report and statement of account to OSCR within a period of not more than nine months from the end of its financial year or nine months from the date of its removal from the Scottish Charity Register.

Trustees' annual reports and accounts filed with OSCR may be made publicly available either on OSCR's own website or via a link to the charity's website. Accounts made available on the OSCR website will be subject to the redaction of personal information to meet data protection requirements.

For forthcoming changes to the publication of trustees' annual reports and accounts under the 2023 Act see section 3.3 of the guide.

Charitable companies

In addition to filing accounts with OSCR, a charitable company must also send a signed trustees' annual report and accounts to Companies House within a period of not more than nine months from the end of its financial year in accordance with sections 441 and 442 of the Companies Act 2006.

Charitable companies – 'filleted' accounts

The small company filing requirements set out in section 444 of the Companies Act 2006 include the option of filing so called 'filleted' accounts. This option allows small companies to choose not to file the profit and loss account and/or the directors' report. If a profit and loss account is not filed there is no requirement to file any notes that relate solely to the profit and loss account nor is the company required to file its auditor's report.

Charitable companies are not excluded from the provisions relating to filleted accounts. However, 'full accounts' must be filed with OSCR. Full accounts are accounts prepared in accordance with both the *Charities SORP (FRS 102)* and *FRS 102*, with no element removed.

It is difficult to envisage a scenario where it would make sense for a charitable company to file filleted accounts with Companies House given that the full accounts can be obtained directly from the charity as a matter of law or, for charities with gross income of more than £25,000 from the OSCR website.

For forthcoming changes to the Companies Act 2006 on the removal of the option to prepared filleted accounts see section 4.9 of the guide.

4.9 The Economic Crime and Corporate Transparency Act 2023

Companies House reforms

Reforms to Companies House are due to be implemented under the Economic Crime and Corporate Transparency (ECCT) Act 2023. The Economic Crime (Transparency and Enforcement) Act 2022 and the ECCT Act 2023 are designed to strengthen the UK's ability to fight economic crime.

The ECCT Act 2023 covers:

- Reform of the Registrar of Companies' existing role and powers.
- Identity verification, including for directors, and other anti-money laundering measures.
- Enhanced data sharing with law enforcement, regulators and other public bodies.
- Improved financial information on the register.
- Enhanced privacy mechanisms, with some information provided to the Registrar being excluded from the Register.
- New restrictions over corporate directors.

The provisions of the ECCT Act 2023 commence in stages with certain provisions relating to criminal sanctions and the proceeds of crime coming into force on 15 November 2023 and 15 January 2024, with other commencement dates yet to be announced

When the relevant provisions of ECCT Act 2023 are implemented, Companies House will no longer be obliged to accept documents that are delivered where there is reason to query the information provided. Once documents are filed, Companies House will also have the power to raise queries and the company will have 14 days to respond and provide evidence in support of its response.

Charitable company accounts

The ECCT Act 2023, by amending section 444 of the Companies Act 2006, removes the option currently available to small non-charitable companies to prepare abridged accounts and small companies will no longer be permitted to file filleted accounts. This removes any dubiety around the ability of charitable companies to file filleted accounts. The effective date of this change is yet to be determined.

4.10 Future developments in accounting standards

The periodic review of FRS 102 and the next edition of the Charities SORP (FRS 102)

The FRC is finalising amendments to FRS 102, following its periodic review of UK GAAP and public consultation on its proposed changes.

The next edition of FRS 102 is due to be published in the first six months of 2024 and is not expected to be effective before periods commencing on or after 1 January 2026. This should mean that there is at least eighteen months between notice of the amendments and implementation.

The Charities SORP (FRS 102) will be updated, and its effective date will coincide with the effective date of the next edition of FRS 102. A consultation draft of the Charities SORP (FRS 102) will be published after the final amendments to FRS 102 are known. The consultation period for this is expected to be twelve weeks.

The Charities SORP-making body and the Charities SORP Committee established a new SORP development process to consider possible changes to the Charities SORP (FRS 102), alongside the FRC's periodic review. The development process has been conducted with input from stakeholder groups, known as engagement strands. Therefore, proposed amendments to the Charities SORP (FRS 102) are expected to be more extensive than periodic review amendments to FRS 102.

Supplier finance arrangements

FRS 102 is to be amended to introduce additional disclosure requirements to be made alongside the statement of cash flows in relation to supplier finance arrangements. The amendments are being made to reflect changes to IFRS accounting standards. These new requirements are not expected to be relevant to many charities and do not apply if a charity does not prepare a statement of cash flows.

In summary, a charity preparing a statement of cash flows, which has entered into supplier finance arrangements, will be required to disclose the following in aggregate:

- The terms and conditions of its supplier finance arrangements;
- the carrying amounts and associated line items presented in its balance sheet of the financial liabilities that are part of supplier finance arrangements at the beginning and end of the reporting period, including the carrying amounts, and associated line items, for which suppliers have already received payment from the finance providers;
- the range of payment due dates for both the financial liabilities disclosed and comparable trade payables that are not part of supplier finance arrangements at the beginning and end of the reporting period; and
- the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed.

It is likely that impacted charities will need to approach their finance providers for some of the information needed to prepare these disclosures. As similar changes are being introduced to UK-adopted IFRS accounting standards, UK finance providers should be geared up to provide their customers with the appropriate information.

In the first year of making these disclosures, impacted charities will not be required to provide comparative information.

These amendments are expected to be published alongside the periodic review amendments but with an effective date of periods commencing on or after 1 January 2025. Charities preparing a statement of cash flows which have supplier finance arrangements will need to comply with these new disclosure requirements, in advance of these requirements being included in the Charities SORP (FRS 102).

International Non-Profit Accounting Guidance

There is an ongoing initiative to develop *International Non-Profit Accounting Guidance (INPAG)* by Humentum and the Chartered Institute of Public Finance and Accountancy (CIPFA). This guidance is expected to cover both narrative and financial reporting, with the financial reporting aspects using the International Accounting Standards Board's IFRS for SMEs as its starting point.

The final guidance is expected to be available in mid-2025. This will follow the conclusion of a public consultation process which is on-going.

In time, not-for-profit overseas subsidiaries with a UK charitable parent could come to use *INPAG* to prepare their accounts. If so, where group accounts are being prepared, it may be necessary to make recognition and measurement adjustments on consolidation so that the parent's group accounts comply with the *Charities SORP (FRS 102)* and *FRS 102*.

Key points arising from section 4

- OSCR has a receipts and payments accounts work pack for non-company charities, meeting the receipts and payments accounts threshold, to assist them in preparing their trustees' annual report and accounts.
- All charities preparing 'true and fair' accounts must comply with the *Charities SORP (FRS 102)* and *FRS 102*.
- There are concessions available to smaller charities, under *the Charities SORP (FRS 102)*, which can simplify the preparation of the trustees' annual report and the format of the SoFA.
- All charitable companies must prepare their accounts in accordance with the *Charities SORP (FRS 102)*.
- Charitable companies can comply with their directors' report requirements within the body of their trustees' annual report.
- A group headed by a charity must prepare group accounts if the gross income of the group is £500,000 or more after consolidation adjustments.
- ICAS takes the view that compliance with *Section 1A of FRS 102* is not sufficient for a charity's accounts to give a 'true and fair' view and therefore charities should not take advantage of its concessions.
- Charities are specifically excluded from taking advantage of the *FRS 105* micro-entities regime.
- Charitable companies will be impacted by Companies House reforms and changes to the Companies Act 2006 under the ECCT Act 2023.
- A new *Charities SORP (FRS 102)* is expected to be in place for periods commencing on or after 1 January 2026.

5. Audit requirements

This section of our guide sets out audit requirements for non-company charities and charitable companies, setting out the source of the requirements.

Most Scottish charities in terms of size will be below the audit threshold. Some charities which are below the audit threshold will receive an audit because their constitution requires one or due to trustee, or funder or donor preference. ICAS members acting for charities in this position should encourage the trustees to review on a regular basis whether an audit is the most appropriate form of scrutiny for the charity. Where funder or donor preference is the only reason for undertaking an audit, charity trustees should be encouraged to engage with the funder or donor to establish whether an audit is really necessary to meet their needs.

Only accountancy firms which are registered to undertake audit work can audit a charity.

All charities not receiving an audit will require an independent examination. Section 6 of the guide sets out the independent examination requirements for Scottish charities.

ICAS members may find it helpful to refer to OSCR's [*A guide to charity accounts*](#) alongside this section of our guide.

5.1 All charities

The 2006 accounting regulations state that a charity must be subject to audit by a registered auditor (i.e. a firm included in the register of statutory auditors) if in any financial year:

- It has gross income of £500,000 or more, or
- the aggregate value of its assets (before deduction of liabilities) at the end of the financial year exceeds £3,260,000, or
- it is required to do so by the constitution of the charity, any other enactment, or on the instruction of its trustees.

Gross income is defined in the 2006 accounting regulations as:

"Incoming resources of the charity in all restricted and unrestricted funds but excluding the receipt of any donated asset in a permanent or expendable endowment fund."

Also, in our experience OSCR considers accounting profits from the sale of fixed assets or investments to be part of gross income for the purpose of assessing whether an audit is required.

Charities must not offset expenditure or other items against income or offset liabilities against assets, unless this is permitted by the *Charities SORP (FRS 102)*, for the purpose of establishing whether an audit is required.

Further information on how to determine gross income is available at section 4.2 of the guide.

For charitable companies, the audit threshold set out in the 2006 accounting regulations will determine whether an audit is required as the income condition is stricter under charity law than under company law.

5.2 Receipts and payments accounts (non-company charities only)

Charities eligible to prepare receipts and payments accounts may need an audit if the constitution of the charity, another enactment, or the trustees, or their funders or donors require one. Receipts and payments accounts are not required to give a 'true and fair' view therefore the auditor will be required to give an opinion on whether the accounts properly present the receipts and payments of the charity for the financial year and the assets and liabilities of the charity reported in the statement of balances.

5.3 Requirements for charitable companies

The audit arrangements for charitable companies were complicated following the removal of special provisions relating to charities from company law by the Companies Act 2006. This change allowed an interpretation of the law whereby a charitable company, which is below the audit threshold in the Companies Act 2006 but is being audited, can opt for an audit solely under Scottish charity law.

ICAS takes the view that it is good practice for entities to be audited under all applicable legislation therefore we strongly recommend that charitable companies being audited are audited under both company law and Scottish charity law.

We do not believe that it is appropriate for a charity to include an audit exemption statement on its balance sheet claiming exemption from an audit under company law to then receive an audit under charity law. This gives the misleading impression that an audit under charity law is less rigorous.

Therefore, engagement letters and auditors' reports for charitable companies should refer to the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Companies Act 2006. However, if a decision is taken to audit a charitable company solely under charity law, the audit firm should check with its professional indemnity insurance provider to discuss any implications for its insurance cover.

5.4 Entitlement to audit exemption: group situation

If the charity is a component of a group, then both the group and the individual audit exemption conditions must be met in relation to charity law and company law, where applicable. In group situations it may be necessary to seek specialist assistance.

Under the Charities Accounts (Scotland) Regulations 2006, where a parent charity is required to prepare group accounts i.e. the gross income of the group (after consolidation adjustments) is £500,000 or more those accounts must be audited.

5.5 International Standards on Auditing (ISAs) (UK)

Audits must be conducted in accordance with the FRC's *Ethical Standard* and *ISAs (UK)*.

The FRC issued *Practice Note 11 (Revised): The audit of charities in the UK* in November 2017.

Practice notes are intended to assist practitioners to comply with the requirements of UK auditing standards by providing additional contextual material on the application of those standards in particular circumstances or in specialised sectors.

Practice Note 11 reflects:

- Revisions to International Standards on Auditing (ISAs) (UK) effective for the audit of financial statements with reporting periods commencing on or after 17 June 2016; it has not been updated for subsequent changes to ISAs (UK);
- versions of *FRS 102* and the *Charities SORP (FRS 102)* extant at the time of publication;
- developments in regulation and guidance issued by UK charity regulators at the date of publication; and
- changes in relevant legislation at the date of publication.

Practice Note 11 is based on the legislation and regulations published as at 31 October 2017.

Care should be taken when referring to the material in *Practice Note 11* as it is necessary to ensure that legislation and ISAs (UK) relevant to the reporting period of the charity being audited are complied with. For example, various ISAs (UK) have been revised since *Practice Note 11* was issued.

There are no illustrative auditor's reports for charities included within *Practice Note 11*. However, ICAS has published *Auditor's report guidance for ICAS firms acting as auditors for Scottish charities*. The guidance includes illustrative auditor's reports for Scottish charities for the audit of financial statements with reporting periods commencing after 1 February 2020 with filing after 31 December 2020.

Key points arising from section 5

- Most Scottish charities will not require an audit. Where a charity is below the audit threshold but is still receiving an audit, the trustees should be encouraged to consider whether an audit is still required or is the most appropriate form of scrutiny.
- All audits must be undertaken by a registered auditor in accordance with the *FRC's Ethical Standard* and ISAs (UK).
- All Scottish charitable companies receiving an audit should be audited under Scottish charity law and company law.
- *Audit Practice Note 11* assists practitioners to comply with the requirements of UK auditing standards where there is a specific charity perspective.
- ICAS has published *Auditor's report guidance for ICAS firms acting as auditors for Scottish charities* with accompanying commentary.

6. Independent examination

This section of our guide looks at the independent examination requirements within Scottish charity law. All Scottish charities not receiving an audit will require an independent examination under the 2005 Act and the 2006 accounting regulations, including charitable companies. An ICAS member can undertake:

- The independent examination of receipts and payments accounts.
- The independent examination of 'true and fair' accounts prepared in accordance with the *Charities SORP (FRS 102)*.

ICAS members may find it helpful to refer to OSCR's [A guide to charity accounts](#) alongside this section of our guide.

6.1 Independent examination threshold

Under regulation 11 of the 2006 accounting regulations, a charity which is not audited must have an independent examination. Therefore, charities meeting the following conditions are eligible to have an independent examination so long as an audit is not required by its constitution, any other enactment, or on the instruction of its trustees:

- Gross income of less than £500,000; and
- a balance sheet total (i.e. gross assets) of £3,260,000 or less.

Gross income is defined in the 2006 accounting regulations as:

"Incoming resources of the charity in all restricted and unrestricted funds but excluding the receipt of any donated asset in a permanent or expendable endowment fund."

Also, in our experience OSCR considers accounting profits from the sale of fixed assets or investments to be part of gross income for the purpose of assessing whether an independent examination is permitted.

Charities must not offset expenditure or other items against income or offset liabilities against assets, unless this is permitted by the *Charities SORP (FRS 102)*, for the purposes of establishing whether an independent examination is permitted.

In addition, charitable companies must also qualify as small under the Companies Act 2006 to be eligible for independent examination under charity law rather than an audit.

Before agreeing to undertake an independent examination, we recommend reviewing the charity's constitution to confirm that an audit is not required.

A charitable company receiving an independent examination must include a company law audit exemption statement on its balance sheet. This statement should not refer to charity law.

6.2 The independent examiner

The term 'Independent' is not defined within Scottish charity law. However, ICAS members acting or thinking of acting as an independent examiner should comply with the guidance on independence within OSCR's [Independent examination: A guide for independent examiners](#). Compliance with this guidance is required in order to comply with the requirements of the [ICAS Code of Ethics](#).

An independent examiner must be an individual and the independent examiner's report must be signed in the name of the individual appointed by the charity to be its independent examiner. Therefore, where an accountancy firm is appointed to undertake the independent examination, the independent examiner's report must not be in the name of the firm but in the name of the individual appointed as the independent examiner.

Receipts and payments accounts

Non-company charities which prepare receipts and payments accounts are required to appoint an independent examiner who is reasonably believed by the trustees to have the requisite ability and practical experience to conduct a competent examination of the accounts.

'True and fair' accounts

'True and fair' accounts must be examined by a member of a specified professional body: the specified professional bodies include the six principal UK professional accountancy bodies (including ICAS).

6.3 Purpose of an independent examination

The purpose of an independent examination is to assess and to report whether:

- Accounting records have not been kept by the charity in accordance with the Charities and Trustee Investment (Scotland) Act 2005.
- The accounts do not accord with those records.
- The accounts have not been prepared in accordance with the Charity Accounts (Scotland) Regulations 2006.

There are also certain other matters which should be reported on by the independent examiner if they come to light during the examination, e.g. if the trustees' annual report is inconsistent in any material respect with the statement of account.

The OSCR publication *Independent examination: A guide for independent examiners* contains good practice guidance on how to conduct an independent examination. It also includes examples of independent examiner's reports for receipts and payments accounts and for 'true and fair' accounts for non-company charities and charitable companies.

6.4 Statement in the independent examiner's report on responsibility to the trustees

Independent examiners can, if they wish, include a statement in their independent examiner's report that, to the fullest extent permitted by law, no responsibility will be accepted for the work or the report to anyone other than the trustees as a body. For a charitable company, the responsibility will be to the board of directors (who are also the trustees under charity law) as a body. There is no requirement to include such a statement and, if the appointed independent examiner is in public practice, the inclusion of any wording and the specific wording used will depend on the firm's risk management policy.

6.5 Members providing accountancy services without a practising certificate

An independent examination can be undertaken as a voluntary assignment by an ICAS member who does not have a practising certificate, where:

- The independent examination is not conducted 'by way of business'
- the independent examination is conducted free of charge or for a nominal fee of £100 or less;
- there is a maximum of ten accountancy-related appointments;
- no audit is being undertaken; and
- the charity has gross income of less than £500,000.

Visit the ICAS [Practising certificates](#) page for more information about providing accountancy services to charities without a practising certificate.

There is a possibility that an ICAS member who charges nominal fees for accountancy services, including independent examinations, but who does not currently hold a practising certificate may be considered to be acting by way for business. For example, if a member is undertaking the maximum ten assignments and charging £100 for each, earning a total of £1,000, ICAS may consider this to be acting by way of business and require the member to obtain a practising certificate.

Members who do not hold a practising certificate should ensure that this is appropriate, i.e. the accountancy services they are providing fall within the scope of concessions available under the [ICAS Public Practice Regulations](#) and that they are not acting by way of business where a practising certificate is required.

If an ICAS member is charging nominal fees and believes they could be acting by way of business, they should send an initial inquiry to connect@icas.com. (Additional guidance is available in section 8.4 'Money Laundering Reporting')

Any member acting by way of business is required to comply with the UK's anti-money laundering regime: money laundering reporting is covered in section 8.4 of this guide.

Key points arising from section 6

- All Scottish charities which do not receive an audit must receive an independent examination under Scottish charity law.
- Charitable companies receiving an independent examination must include a company law audit exemption statement on their balance sheet.
- ICAS members undertaking independent examinations should ensure that they comply with the guidance on independence in the OSCR publication *Independent examination: A guide for independent examiners*, in order to comply with the *ICAS Code of Ethics*.
- Members who do not hold a practising certificate and are providing accountancy services to charities, including independent examinations for a nominal fee should ensure that it is appropriate not to hold one.

7. Charities subject to other requirements

This section of the guide highlights special arrangements, including accounts requirements which exist for particular types of charity.

ICAS members acting for charities which are also, for example, co-operative and community benefit societies, educational institutions, registered social landlords or designated religious charities must ensure they are familiar with any special arrangements which impact on such entities' accounts and audit requirements. Due to the diversity of the sector these issues are not considered in detail by the guide.

7.1 Scottish Charitable Incorporated Organisations

Aspects of Scottish charity law relating specifically to SCIOs and OSCR guidance for SCIOs and their advisors are signposted at section 2.5 of the guide.

SCIOs are subject to the accounts and scrutiny requirements contained in the 2006 accounting regulations. For the purposes of material in this guide, in sections 4, 5 and 6 on accounts and scrutiny requirements, SCIOs fall within the non-company charity category.

7.2 Charities incorporated under other legislation

Some charities are incorporated under acts of parliament other than the Charities and Trustee Investment (Scotland) Act 2005, the Companies Act 2006 or where applicable under Royal Charter. Other acts include those establishing a single charity.

In such cases reference should be made to the requirements of the appropriate legislation, e.g. the Co-operative and Community Benefit Societies Act 2014 and to sector specific SORPs e.g. the *National Housing Federation SORP: Accounting by Registered Social Landlords* or the *Universities UK SORP: Accounting for Further and Higher Education*. Regulation 14 of the 2006 accounting regulations specifically require housing and education bodies to apply the Housing and Education SORPs.

In such circumstances it may be advisable to seek expert technical assistance to ensure that the accounts comply with the relevant regulatory framework.

7.3 Designated Religious Charities

The following organisations along with their component elements are Designated Religious Charities or DRCs:

- The Church of Scotland
- The Free Church of Scotland
- The Roman Catholic Archdiocese of St Andrews and Edinburgh
- The Roman Catholic Archdiocese of Glasgow
- The Roman Catholic Diocese of Aberdeen
- The Roman Catholic Diocese of Argyll and the Isles
- The Roman Catholic Diocese of Dunkeld
- The Roman Catholic Diocese of Galloway
- The Roman Catholic Diocese of Motherwell
- The Roman Catholic Diocese of Paisley
- The United Free Church of Scotland

There are provisions of the 2005 Act which do not apply to DRCs:

- A DRC does not require the consent of OSCR to amend its charitable purposes per its constitution; merge with another body; or to wind up.
- OSCR is not permitted to direct a DRC which is subject to an inquiry to cease any activity.
- OSCR cannot suspend a member of the management who appears to be responsible for misconduct.
- If it appears to the Court of Session, on application from OSCR, that there has been misconduct in the administration of the DRC, the Court cannot: appoint a judicial factor to manage its affairs; appoint a trustee; or suspend or remove any person concerned in the management of the charity.
- A DRC can appoint a trustee who may otherwise be disqualified from being a trustee under the 2005 Act.

DRCs are required to comply with part 1, section 6, section 44 of the 2005 Act on charity accounts, including the duty to keep proper accounting records, the requirement to prepare a statement of account for filing with OSCR, and the requirement to comply with the 2006 accounting regulations.

Component elements of DRCs, for example congregations, should also be aware that it is common for additional guidance on preparing a trustees' annual report and accounts to be issued centrally by the DRC's headquarters or equivalent, e.g. national offices. Where this is the case the component entity must comply with the 2005 Act, the 2006 accounting regulations, any denominational regulations (where appropriate) and any centrally issued guidance.

Notifiable events

As the scope of OSCR's role in regulating DRCs is limited by the 2005 Act, DRCs take a different approach to notifiable events. It is a DRC's designated OSCR contact who is responsible for informing OSCR of any notifiable events which have occurred in any DRC component element. Also, it is the DRC's headquarters or equivalent which is responsible for assessing what, if any, further action is required in relation to the notifiable event, rather than OSCR.

Key points arising from section 7

- Charities come in many forms, and it is important that they comply with all relevant legislation and accounting guidance when preparing their trustees' annual report and accounts and having them externally scrutinised.
- DRCs should follow any additional guidance on accounting matters issued centrally by the DRC's headquarters or national offices.

8. Duty and right to report to OSCR

Under the 2005 Act, auditors and independent examiners have a statutory duty to report to OSCR if they believe there is misconduct within the charity client. Such a report must be made as soon as the auditor or independent examiner believes there may be misconduct.

In addition, auditors and independent examiners have a right to report to OSCR on other matters they believe may be of concern to OSCR.

Under the 2005 Act, an auditor or independent examiner exercising their duty or right to report is protected from any action by the charity for breach of confidentiality, providing the report

8.1 Overview of section 46 of the 2005 Act

Section 46 of the 2005 Act sets out the legal provisions which apply to the duty and right of auditors and independent examiners to report to OSCR. The provisions apply equally to auditors and independent examiners (described collectively as independent scrutinisers) and to all forms of charity, including non-company charities and charitable companies.

The independent scrutiniser's duty and right to report extends to the activities or affairs of any institution or body corporate connected to the charity. Independent scrutinisers continue to have a duty and right to report even when they have ceased to act in that capacity.

Once an independent scrutiniser has reported a matter to OSCR no additional work should be required in the discharge of the duty or exercise of their right. However, the independent scrutiniser will need to consider if further work needs to be undertaken in relation to, for example, the issuance of the auditor's report or the independent examiner's report.

Reports to OSCR under Section 46 should be made in writing. OSCR has set up an email address specifically to take whistleblowing reports: Section46@oscr.org.uk.

8.2 Duty to report

An independent scrutiniser must report to OSCR any matter they have reasonable cause to believe is likely to be of material significance for the purposes of the exercise by OSCR of its function to identify and investigate apparent misconduct in a charity's administration.

ICAS members acting as auditors or independent examiners of charity accounts must ensure that they fully comply with this reporting duty. Particular note should be taken regarding the duty to report any modified audit opinions or qualified independent examiner's reports.

In April 2020, OSCR and the other UK charity regulators jointly issued revised guidance on [*Reporting matters of material significance*](#). The guidance specifies the following nine matters they consider to be reportable:

1. Matters suggesting dishonesty or fraud involving a significant loss of, or a material risk to, charitable funds or assets.
2. Failure(s) of internal controls, including failure(s) in charity governance that resulted in, or could give rise to, a material loss or misappropriation of charitable funds, or which leads to significant charitable funds being put at major risk.
3. Knowledge or suspicion that the charity or charitable funds including the charity's bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity.

4. Matters leading to the knowledge or suspicion that the charity, its trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations in the UK or outside of the UK, with the exception of matters related to a qualifying offence as defined by section 3(7) of the Northern Ireland (Sentences) Act 1998.
5. Evidence suggesting that in the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity's beneficiaries have been or were put at significant risk of abuse or mistreatment.
6. Single or recurring breach(es) of either a legislative requirement or of the charity's trusts leading to material charitable funds being misapplied.
7. Evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator under statutory powers including suspending a charity trustee, prohibiting a particular transaction or activity or granting consent on particular terms involving significant charitable assets or liabilities.
8. Making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing of a qualified independent examiner's report identifying matters of concern to which attention is drawn, notification of the nature of the modification/qualification/emphasis of matter or concern with supporting reasons including notification of the action taken, if any, by the trustees subsequent to that audit opinion, emphasis of matter or material uncertainty identified/independent examiner's report.
9. Evidence that significant conflicts of interest have not been managed appropriately by the trustees and/or related party transactions have not been fully disclosed in all the respects required by the applicable SORP, or applicable Regulations.

The guidance was updated to assist auditors and independent examiners meet their reporting duty during times of national emergency. While the guide was updated during the pandemic, it was designed to provide enduring guidance which would also apply after the pandemic.

8.3 Right to report

An independent scrutiniser has a right but not a duty to report when he or she becomes aware of a matter which they have reasonable cause to believe is likely to be relevant for the purposes of the exercise by OSCAR of any of its functions other than the function to identify and investigate apparent misconduct.

Also, in May 2019, OSCAR and the other UK charity regulators issued guidance on the discretionary right to report: *Guidance to assist auditors and independent examiners in understanding when they can usefully use their discretion to report relevant matters of interest to regulators.*

8.4 Money laundering reporting

External scrutinisers do not discharge their duty to report to OSCAR by making a money laundering report to the National Crime Agency (NCA) or vice versa.

ICAS members who provide audit, independent examination or other accountancy related services, by way of business fall within the money laundering reporting regime under the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

However, ICAS members who, free of charge, provide accountancy services, including independent examinations, to charities and therefore do not require a practising certificate do not fall within the money laundering reporting regime.

ICAS members who charge nominal fees, for example, up to the maximum permitted by ICAS may be considered by ICAS to be acting by way of business and therefore may be required to obtain a practising certificate and to comply with the UK's anti-money laundering regime. (Additional guidance is available in section 6.5 of the guide 'Members providing accountancy services without a practising certificate')

Members who do not hold a practising certificate should ensure that this is appropriate, i.e. the accountancy services they are providing fall within the scope of concessions available under the *ICAS Public Practice Regulations* and that they are not acting by way of business where a practising certificate is required.

Any member charging nominal fees who believes they may be acting by way of business should:

- Make an initial inquiry to connect@icas.com to establish whether they require a practising certificate; and
- contact the Practice Support Team at practicesupport@icas.com to inquire about their duties under the UK's anti-money laundering regime.

Where a money laundering reporting duty exists, ICAS members reporting to OSCAR under section 46 of the 2005 Act should be mindful when making such a report that the report must be made without 'tipping off' any persons suspected of money laundering. Making a report to OSCAR does not constitute 'tipping off' per se.

Key points arising from section 8

- Auditors and independent examiners have a statutory duty to report matters of material significance to OSCAR as soon as they can.
- Auditors and independent examiners can report other matters to OSCAR which they believe may be relevant to OSCAR's functions, but which fall outside the duty to report.
- Auditors and independent examiners making a report to OSCAR under section 46 of the 2005 Act cannot be sued by the charity for breach of confidentiality provided the report is made in good faith.
- ICAS members who, free of charge, provide accountancy services, including independent examinations, to charities and therefore do not require a practising certificate do not fall within the money laundering reporting regime.
- Members who do not hold a practising certificate and are providing accountancy services to charities, including independent examinations, for a nominal fee should ensure that it is appropriate not to hold one.

9. Charities and UK taxation

Organisations in the UK with charitable status may qualify for tax exemptions and reliefs on income and gains, and on profits from some activities. A charity must be registered with HMRC to be recognised as a charity for tax purposes. This is separate from being registered with OSCR, the CCEW or the CCNI.

Recognition as a charity for tax purposes does not mean that a charity will never pay tax. If a charity receives taxable (non-exempt) income or incurs gains it must inform HMRC and complete a tax return.

Charities qualify for certain VAT reliefs and exemptions. However, if a charity has business activities the VAT rules will apply as they do for any other business. The application of VAT rules is a particularly complex area for charities, and it is essential that a charity understands the rules prior to undertaking a transaction to ensure that the VAT treatment is correct from the outset.

9.1 Registration with HMRC for tax purposes

All organisations recognised as charities by HMRC before April 2006 remained registered for tax purposes following the establishment of the Scottish Charity Register by OSCR. These charities will still be registered with HMRC provided no action has been taken subsequently to remove them.

Organisations placed on the Scottish Charity Register since April 2006 are not automatically registered with HMRC for tax purposes and should register with HMRC, using its [on-line facility](#), in order to take advantage of charity tax reliefs.

For a Scottish based organisation to receive recognition from HMRC as a charity, prior registration with OSCR is required.

9.2 Information available from HMRC for charities

HMRC maintains a section on the GOV.UK website for [charities and community amateur sports clubs](#). Information on key topics for charities is currently available at:

- [Claiming Gift Aid as a charity or CASC \(community amateur sports club\)](#)
- [Charities and tax](#)
- [VAT returns](#)

9.3 HMRC charity tax queries service

HMRC Charities operates a telephone helpline. Queries can also be submitted on-line through smart forms.

There is information on the [charities and community amateur sports clubs](#) landing page about how to raise tax and VAT queries with HMRC.

9.4 Non-domestic rates relief

Mandatory relief of 80% of non-domestic rates is available to charities from the local authority where:

- Property is occupied by a charity or a trustee of a charity, and
- property is wholly or mainly for charitable purposes.

Charity shops can also receive mandatory relief where:

- They are wholly or mainly used for the sale of goods donated to the charity, and
- proceeds from the sale of goods are used for the purposes of the charity.

Further relief of 20% may also be available to charities at the discretion of the local authority.

From 1 April 2022, charitable rates relief was removed from independent schools except for music schools and schools supporting children with special needs.

9.5 Charity Tax Group

The [CTG website](#) includes regular updates on charity tax matters and has a facility on its website which enables charities and their advisers to search for charity tax information by tax type and activity type. This facility can be found at the top of the homepage.

Key points arising from section 9

- Charities must be registered with HMRC to be recognised as charities for tax purposes.
- Charities may have to pay tax in certain circumstances.
- Organisations which have been awarded charitable status by OSCR since April 2006 should make sure that they are also registered with HMRC for tax purposes.
- HMRC Charities operates a helpline and online query service to assist with queries on charity tax matters, including VAT.



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